

Public Law 287

CHAPTER 512

AN ACT

August 15, 1953
[H. R. 6426]

To amend the Internal Revenue Code to extend the time during which certain provisions relating to income and estate taxes shall apply, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) SHORT TITLE.—This Act, divided into titles and sections according to the following table of contents, may be cited as the “Technical Changes Act of 1953”:

Technical
Changes Act of
1953.
Income and es-
tate taxes.

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(b) **ACT AMENDATORY OF INTERNAL REVENUE CODE.**—Except as otherwise expressly provided, wherever in this Act an amendment or repeal is expressed in terms of an amendment to or repeal of a chapter, subchapter, title, supplement, section, subsection, subdivision, paragraph, subparagraph, or clause, the reference shall be considered to be made to a provision of the Internal Revenue Code.

(c) **MEANING OF TERMS USED.**—Except as otherwise expressly provided, terms used in this Act shall have the same meaning as when used in the Internal Revenue Code:

TITLE I—EXTENSION PROVISIONS

SEC. 101. ELECTION AS TO RECOGNITION OF GAIN IN CERTAIN CORPORATE LIQUIDATIONS.

(a) **AMENDMENT OF SECTION 112 (b) (7).**—Section 112 (b) (7) (relating to recognition of gain in certain corporate liquidations) is hereby amended by striking out “1951 or 1952” in subparagraph (A) (ii) and inserting in lieu thereof “1951, 1952, or 1953”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to taxable years ending after December 31, 1952.

65 Stat. 493.
26 USC 112.

SEC. 102. EXTENSION OF TIME TO MAKE ELECTION IN RESPECT OF EXCESSIVE DEPRECIATION ALLOWED FOR PERIODS BEFORE 1952.

66 Stat. 629.
26 USC 113.

(a) **AMENDMENT OF SECTION 113 (d).**—So much of section 113 (d) (relating to election in respect of depreciation, etc., allowed before 1952) as follows the first sentence thereof is hereby amended to read as follows: "Such an election shall be made in such manner as the Secretary may by regulations prescribe and shall be irrevocable when made, except that an election made on or before December 31, 1952, may be revoked at any time before January 1, 1955. A revocation of an election shall be made in such manner as the Secretary may by regulations prescribe, and no election may be made by any person after he has so revoked an election. The election shall apply in respect of all property held by the person making the election at any time on or before December 31, 1952, and in respect of all periods since February 28, 1913, and before January 1, 1952, during which such person held such property or for which adjustments must be made under subsection (b) (2). An election or a revocation of an election by a transferor, donor, or grantor made after the date of the transfer, gift, or grant of property shall not affect the basis of such property in the hands of the transferee, donee, or grantee. No election may be made under this subsection after December 31, 1954."

66 Stat. 629.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall be effective as if included in the amendment made by section 2 of Public Law 539, Eighty-second Congress, at the time of its enactment.

SEC. 103. EXTENSION OF TIME FOR MAKING ELECTION WITH RESPECT TO WAR-LOSS RECOVERIES.

65 Stat. 514.
26 USC 127.

Section 127 (c) (5) (relating to election with respect to war-loss recoveries) is hereby amended by striking out "December 31, 1952" and inserting in lieu thereof "December 31, 1953".

SEC. 104. EXTENSION OF PERIOD OF ABATEMENT OF INCOME TAXES OF MEMBERS OF ARMED FORCES UPON DEATH.

65 Stat. 507.
26 USC 154.

Section 154 (relating to income taxes of members of Armed Forces on death) is hereby amended by striking out "January 1, 1954" and inserting in lieu thereof "January 1, 1955".

SEC. 105. EXTENSION OF TEMPORARY PROVISIONS RELATING TO LIFE INSURANCE COMPANIES.

66 Stat. 444,
26 USC 201,
203A, 433.

(a) **TAX FOR 1953.**—Sections 201 (a) (1) (relating to imposition of tax on life insurance companies), 203A (relating to 1951 and 1952 adjusted normal-tax net income of life insurance companies), and 433 (a) (1) (H) (relating to excess profits net income of life insurance companies) are each hereby amended by striking out "1951 and 1952" wherever appearing therein and inserting in lieu thereof "1953".

26 USC 201.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply only to taxable years beginning in 1953. The application of the amendment to section 201 (f) (relating to disallowance of double deductions) made by section 336 (c) (2) of the Revenue Act of 1951 is hereby extended to taxable years beginning after December 31, 1952.

65 Stat. 508.

SEC. 106. EXTENSION OF PERIOD FOR EXEMPTION FROM ADDITIONAL ESTATE TAX OF MEMBERS OF ARMED FORCES UPON DEATH.

65 Stat. 567.
26 USC 939.

Section 939 (b) (relating to the tax treatment of estates of certain members of the Armed Forces) is hereby amended by striking out "JANUARY 1, 1954" and inserting in lieu thereof "JANUARY 1, 1955", and by striking out "January 1, 1954" and inserting in lieu thereof "January 1, 1955".

TITLE II—MISCELLANEOUS

SEC. 201. VENUE OF ACTIONS FOR VIOLATIONS OF ACT OF OCTOBER 19, 1949.

(a) **AMENDMENT OF ACT.**—Section 2 of the Act entitled “An Act to assist States in collecting sales and use taxes on cigarettes”, approved October 19, 1949 (15 U. S. C., sec. 376), is hereby amended by striking out “forward to” and inserting in lieu thereof “file with”.

63 Stat. 884.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply only in respect of memoranda or copies of invoices covering shipments made during the calendar month in which this Act is enacted and subsequent calendar months.

SEC. 202. DEDUCTION OF CERTAIN UNPAID EXPENSES AND INTEREST.

(a) **AMENDMENT OF SECTION 24 (c).**—Paragraph (1) of section 24 (c) (relating to disallowance of certain deductions for expenses incurred and interest accrued) is hereby amended to read as follows:

53 Stat. 17.
26 USC 24.

“(1) If within the period consisting of the taxable year of the taxpayer and two and one-half months after the close thereof (A) such expenses or interest are not paid, and (B) the amount thereof is not includible in the gross income of the person to whom the payment is to be made; and”.

(b) **EFFECTIVE DATE.**—

(1) Except as otherwise provided in paragraph (2), the amendment made by subsection (a) shall apply only with respect to taxable years beginning after December 31, 1950.

(2) At the election of a taxpayer (hereinafter in this paragraph referred to as the “payor”) made within one year after the date of the enactment of this Act, the amendment made by subsection (a) shall also apply with respect to such taxable years of the payor beginning after December 31, 1945, and before January 1, 1951, as are specified by the payor in making such election. Such election for any taxable year shall not be valid as to any amount unless, at or before the time when such election is filed—

(A) the person (hereinafter in this paragraph referred to as the “payee”) to whom such amount was payable included such amount in gross income for his taxable year for which such amount was includible in gross income, or

(B) the payee files a written consent to the assessment and collection of any deficiency and interest resulting from the payee's failure to include such amount in gross income for such taxable year, or

(C) the payor pays an amount equal to the deficiency and interest which would be payable by the payee pursuant to subparagraph (B) if he filed such consent. (Any amount paid under this subparagraph shall be assessed, notwithstanding any law or rule of law to the contrary, as an addition to the tax of the payor for the year for which the election is filed.)

The periods of limitation provided in sections 275 and 276 of the Internal Revenue Code on the making of an assessment and the beginning of distraint or a proceeding in court for collection shall, with respect to any deficiency and interest thereon resulting from any consent filed pursuant to subparagraph (B), include one year immediately following the date such consent is filed, and such assessment and collection may be made notwithstanding any provision of law or any rule of law which otherwise would prevent such assessment and collection. If an election by a payor should be filed for a taxable year of the payor for which allowance of credit or refund of an overpayment

26 USC 275, 276.

is barred (at the time of such filing) by any law or rule of law, any consent filed by the payee in respect of any amount which represents expenses incurred or interest accrued by the payor for such year shall be void. If a consent requires the inclusion in the gross income of the payee for any taxable year of an amount which was erroneously included in the gross income of the payee for another taxable year and, on the date the consent is filed, correction of the effect of the error is prevented by the operation of any provision of the internal-revenue laws other than section 3761 of the Internal Revenue Code (relating to compromises), then the effect of the error shall be corrected in accordance with section 3801 of the Internal Revenue Code as if the consent were a determination under such section 3801 in which there is adopted a position maintained by the Secretary of the Treasury. The Secretary of the Treasury shall prescribe such regulations as may be necessary to carry out the provisions of this paragraph.

26 USC 3761.

26 USC 3801.

SEC. 203. BASIS OF CERTAIN PROPERTY TRANSFERRED IN TRUST.

53 Stat. 41.
26 USC 311.

(a) **AMENDMENT OF SECTION 113 (a) (5).**—The second sentence of section 113 (a) (5) (relating to the basis of property transmitted at death) is hereby amended by inserting immediately after the words "revoke the trust" the following: "or to make any change in the enjoyment thereof through the exercise of a power to alter, amend, or terminate the trust".

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply (1) only in the case of property transferred by grantors dying after December 31, 1951, and (2) only with respect to taxable years ending after December 31, 1951.

SEC. 204. EARNED INCOME FROM SOURCES WITHOUT THE UNITED STATES.

65 Stat. 498.
26 USC 116.

(a) **AMENDMENT OF SECTION 116 (a) (2).**—Section 116 (a) (2) (relating to exclusion from gross income of earned income from sources without the United States) is hereby amended by adding at the end thereof the following new sentences:

"If the 18-month period includes the entire taxable year, the amount excluded under this paragraph for such taxable year shall not exceed \$20,000. If the 18-month period does not include the entire taxable year, the amount excluded under this paragraph for such taxable year shall not exceed an amount which bears the same ratio to \$20,000 as the number of days in the part of the taxable year within the 18-month period bears to the total number of days in such year."

65 Stat. 498.
26 USC 1621.

(b) **WITHHOLDING OF TAX ON WAGES OF CITIZENS OUTSIDE THE UNITED STATES.**—So much of section 1621 (a) (8) (relating to the definition of wages) as precedes subparagraph (B) thereof is hereby amended to read as follows:

"(8) (A) for services for an employer (other than the United States or any agency thereof) (i) performed by a citizen of the United States if, at the time of the payment of such remuneration, it is reasonable to believe that such remuneration will be excluded from gross income under section 116 (a), or (ii) performed in a foreign country by such a citizen if, at the time of the payment of such remuneration, the employer is required by the law of any foreign country to withhold income tax upon such remuneration, or".

(c) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to taxable years ending after December 31, 1952, but only to amounts received after such date. In the case of any taxable year beginning in 1952 and ending in 1953 the exclusion of amounts received after December 31, 1952, shall not exceed an amount which is the same proportion of \$20,000 as the number of days

in such taxable year after December 31, 1952, is of 365 days. The amendments made by subsections (a) and (b) shall not affect the liability of any employer to deduct and withhold the tax imposed by section 1622 in the case of any remuneration paid before the first day of the first month beginning more than ten days after the date of the enactment of this Act.

26 USC 1622.

SEC. 205. NET OPERATING LOSS CARRY-OVERS.

(a) **AMENDMENT OF SECTION 122 (b) (2).**—

26 USC 122.

(1) Section 122 (b) (2) (relating to net operating loss carry-over) is hereby amended by adding after subparagraph (D) the following new subparagraphs:

“(E) **Loss For Taxable Years of Corporations Beginning In 1947 And Ending In 1948.**—If a corporation (other than a corporation which commenced business after December 31, 1945) has a net operating loss for a taxable year beginning in 1947 and ending in 1948, subparagraph (C) shall apply as if the taxable year began after December 31, 1947; except that the net operating loss carry-over for the third succeeding taxable year shall not exceed that amount which bears the same ratio to the net operating loss as the number of days in the taxable year after December 31, 1947, bears to the total number of days in the taxable year.

“(F) **Loss in Case of Corporations Whose First Taxable Year Began in 1949 and Ended in 1950.**—If the first taxable year of a corporation began in 1949 and ended in 1950, and if the corporation had a net operating loss for such first taxable year, there shall be a net operating loss carry-over for the fourth and fifth succeeding taxable years. The amount of such carry-over shall be determined in accordance with the first sentence of subparagraph (B); except that—

“(i) such carry-over for the fourth succeeding taxable year shall not exceed so much of such net operating loss as is allocable to 1950, and

“(ii) such carry-over for the fifth succeeding taxable year shall not exceed the amount by which the carry-over for the fourth succeeding taxable year (as limited by clause (i) of this sentence) exceeds the net income for the fourth succeeding taxable year computed as provided in clauses (i) and (ii) of the first sentence of subparagraph (B).

For the purposes of the preceding sentence, the portion of the net operating loss which is allocable to 1950 shall be an amount which bears the same ratio to such loss as the number of days in the taxable year after December 31, 1949, bears to the total number of days in the taxable year.”

(2) Subparagraph (A) of section 122 (b) (2) is hereby amended by striking out “subparagraph (D),” and inserting in lieu thereof “subparagraphs (D) and (E).”

(3) The amendment made by paragraph (2), and subparagraph (E) of section 122 (b) (2) of the Internal Revenue Code as added by paragraph (1), shall apply with respect to taxable years ending after December 31, 1947. Subparagraph (F) of section 122 (b) (2) of the Internal Revenue Code as added by paragraph (1) shall apply with respect to taxable years ending after December 31, 1949.

(b) **SUCCESSOR RAILROAD CORPORATIONS.**—

(1) Subsection (c) of the first section of the Act of July 15, 1947 (61 Stat. 324), relating to allowance to successor railroad corporations of benefits of certain carry-overs of predecessor corporations, is hereby amended to read as follows:

26 USC 122 note.

“(c) For the purposes of this section, if the period, beginning on the first day of the taxable year of the predecessor corporation in which the acquisition occurred and ending on the last day of the taxable year of the successor corporation in which the acquisition occurred, is not more than twelve months, then—

“(1) if such net operating loss or unused excess profits credit was for a taxable year beginning before January 1, 1948, the number of succeeding taxable years to which such net operating loss or unused excess profits credit is a carry-over shall be three (instead of two, as respectively provided in section 122 (b) (2) (A) and section 710 (c) (3) (B) of such code); and

“(2) if such net operating loss was for a taxable year beginning after December 31, 1947, and before January 1, 1950, the number of succeeding taxable years to which such net operating loss is a carry-over shall be four (instead of three, as provided in section 122 (b) (2) (C) of such code);

and such regulations shall prescribe (as nearly as possible in the manner respectively prescribed in sections 122 (b) (2) and 710 (c) (3) (B) of such code with respect to a net operating loss or an unused excess profits credit, as the case may be, for such taxable year) the amount to be carried over to the last of such succeeding taxable years.”

(2) The amendment made by paragraph (1) shall be effective as if included in such Act of July 15, 1947, at the time of its enactment.

SEC. 206. AMORTIZATION DEDUCTION FOR GRAIN STORAGE FACILITIES.

(a) ALLOWANCE OF DEDUCTION.—Supplement B of subchapter C of chapter 1 is hereby amended by inserting after section 124A the following new section:

“SEC. 124B. AMORTIZATION DEDUCTION FOR GRAIN STORAGE FACILITIES.

“(a) ALLOWANCE OF DEDUCTION.—

“(1) ORIGINAL OWNER.—Any person who constructs, reconstructs, or erects a grain storage facility (as defined in subsection (d)) shall, at his election, be entitled to a deduction with respect to the amortization of the adjusted basis (for determining gain) of such facility based on a period of sixty months. The sixty-month period shall begin as to any such facility, at the election of the taxpayer, with the month following the month in which the facility was completed, or with the succeeding taxable year.

“(2) SUBSEQUENT OWNERS.—Any person who acquires a grain storage facility from a taxpayer who—

“(A) elected under subsection (b) to take the amortization deduction provided by this subsection with respect to such facility, and

“(B) did not discontinue the amortization deduction pursuant to subsection (c).

shall, at his election, be entitled to a deduction with respect to the adjusted basis (determined under subsection (e) (2)) of such facility based on the period, if any, remaining (at the time of acquisition) in the sixty-month period elected under subsection (b) by the person who constructed, reconstructed, or erected such facility.

“(3) AMOUNT OF DEDUCTION.—The amortization deduction provided in paragraphs (1) and (2) shall be an amount, with respect to each month of the amortization period within the taxable year, equal to the adjusted basis of the facility at the end of such month, divided by the number of months (including the month for which the deduction is computed) remaining in the period. Such

26 USC 122, 710.

26 USC 124A.

adjusted basis at the end of the month shall be computed without regard to the amortization deduction for such month. The amortization deduction above provided with respect to any month shall be in lieu of the deduction with respect to such facility for such month provided by section 23 (1) (relating to exhaustion, wear and tear, and obsolescence).

26 USC 23.

“(b) ELECTION OF AMORTIZATION.—The election of the taxpayer under subsection (a) (1) to take the amortization deduction and to begin the sixty-month period with the month following the month in which the facility was completed shall be made only by a statement to that effect in the return for the taxable year in which the facility was completed. The election of the taxpayer under subsection (a) (1) to take the amortization deduction and to begin such period with the taxable year succeeding such year shall be made only by a statement to that effect in the return for such succeeding taxable year. The election of the taxpayer under subsection (a) (2) to take the amortization deduction shall be made only by a statement to that effect in the return for the taxable year in which the facility was acquired. Notwithstanding the preceding three sentences, the election of the taxpayer under subsection (a) (1) or (2) may be made, under such regulations as the Secretary may prescribe, before the time prescribed in the applicable sentence.

“(c) TERMINATION OF AMORTIZATION DEDUCTION.—A taxpayer which has elected under subsection (b) to take the amortization deduction provided in subsection (a) may, at any time after making such election, discontinue the amortization deduction with respect to the remainder of the amortization period, such discontinuance to begin as of the beginning of any month specified by the taxpayer in a notice in writing filed with the Secretary before the beginning of such month. The deduction provided under section 23 (1) shall be allowed, beginning with the first month as to which the amortization deduction is not applicable, and the taxpayer shall not be entitled to any further amortization deduction with respect to such facility.

26 USC 23.

“(d) DEFINITION OF GRAIN STORAGE FACILITY.—For the purposes of this section, the term ‘grain storage facility’ means—

“(1) any corn crib, grain bin, or grain elevator, or any similar structure suitable primarily for the storage of grain, which crib, bin, elevator, or structure is intended by the taxpayer at the time of his election to be used for the storage of grain produced by him (or, if the election is made by a partnership, produced by the members thereof); and

“(2) any public grain warehouse permanently equipped for receiving, elevating, conditioning, and loading out grain, the construction, reconstruction, or erection of which was completed after December 31, 1952, and on or before December 31, 1956. If any structure described in clause (1) or (2) of the preceding sentence is altered or remodeled so as to increase its capacity for the storage of grain, or if any structure is converted, through alteration or remodeling, into a structure so described, and if such alteration or remodeling was completed after December 31, 1952, and on or before December 31, 1956, such alteration or remodeling shall be treated as the construction of a grain storage facility. The term ‘grain storage facility’ shall include only property of a character which is subject to the allowance for depreciation provided in section 23 (1). The term ‘grain storage facility’ shall not include any facility any part of which is an emergency facility within the meaning of section 124A.

26 USC 23.

26 USC 124A.

“(e) DETERMINATION OF ADJUSTED BASIS.—

“(1) ORIGINAL OWNERS.—For the purpose of subsection (a) (1)—

“(A) in determining the adjusted basis of any grain storage facility, the construction, reconstruction, or erection of which was begun before January 1, 1953, there shall be included only so much of the amount of the adjusted basis (computed without regard to this subsection) as is properly attributable to such construction, reconstruction, or erection after December 31, 1952, and

“(B) in determining the adjusted basis of any facility which is a grain storage facility within the meaning of the second sentence of subsection (d), there shall be included only so much of the amount otherwise included in such basis as is properly attributable to the alteration or remodeling.

If any existing grain storage facility as defined in the first sentence of subsection (d) is altered or remodeled as provided in the second sentence of subsection (d), the expenditures for such remodeling or alteration shall not be applied in adjustment of the basis of such existing facility but a separate basis shall be computed in respect of such facility as if the part altered or remodeled were a new and separate grain storage facility.

“(2) SUBSEQUENT OWNERS.—For the purpose of subsection (a) (2), the adjusted basis of any grain storage facility shall be whichever of the following amounts is the smaller: (A) The basis (unadjusted) of such facility for the purposes of this section in the hands of the transferor, donor, or grantor, adjusted as if such facility in the hands of the taxpayer had a substitute basis within the meaning of section 113 (b) (2) (A), or (B) so much of the adjusted basis (for determining gain) of the facility in the hands of the taxpayer (as computed without regard to this subsection) as is properly attributable to construction, reconstruction, or erection after December 31, 1952.

26 USC 113.

“(f) DEPRECIATION DEDUCTION.—If the adjusted basis of the grain storage facility (computed without regard to subsection (e) (exceeds the adjusted basis computed under subsection (e)), the deduction provided by section 23 (1) shall, despite the provisions of subsection (a) (3) of this section, be allowed with respect to such grain storage facility as if the adjusted basis for the purpose of such deduction were an amount equal to the amount of such excess.

26 USC 23.

“(g) LIFE TENANT AND REMAINDERMAN.—In the case of property held by one person for life with remainder to another person, the amortization deduction provided in subsection (a) shall be computed as if the life tenant were the absolute owner of the property and shall be allowed to the life tenant.”

(b) TECHNICAL AMENDMENTS.—

26 USC 23.

(1) Section 23 (t) is hereby amended to read as follows:

“(t) AMORTIZATION DEDUCTION.—The deduction for amortization provided in sections 124, 124A, and 124B.”

26 USC 172.

(2) Section 172 is hereby amended by striking out “of emergency facilities”.

26 USC 190.

(3) Section 190 is hereby amended by inserting after “emergency facilities” the following: “or grain storage facilities”.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply only with respect to taxable years ending after the date of the enactment of this Act.

SEC. 207. EXCLUSION OF CERTAIN TRANSFERS TAKING EFFECT AT DEATH.

(a) **DECEDENTS DYING AFTER FEBRUARY 10, 1939.**—Paragraph (1) of section 811 (c) (relating to the inclusion of certain interests in the decedent's gross estate) is hereby amended by inserting after subparagraph (C) the following:

26 USC 811.

“Subparagraph (B) shall not apply to a transfer made before March 4, 1931; nor shall subparagraph (B) apply to a transfer made after March 3, 1931, and before June 7, 1932, unless the property transferred would have been includible in the decedent's gross estate by reason of the amendatory language of the joint resolution of March 3, 1931 (46 Stat. 1516).”

(b) **DECEDENTS DYING BEFORE FEBRUARY 11, 1939.**—For the purposes of section 302 (c) of the Revenue Act of 1926, as amended, an interest of a decedent shall not be included in his gross estate as intended to take effect in possession or enjoyment at or after his death unless it would have been includible as such a transfer under section 811 (c) (2) of the Internal Revenue Code, as amended by section 7 of Public Law 378, Eighty-first Congress, approved October 25, 1949 (63 Stat. 891), had such section 811 (c) (2), as so amended, applied to the estate of such decedent. No refund or credit of any overpayment resulting from the application of this subsection shall be allowed or made if prevented by the operation of the statute of limitations or by any other law or rule of law; except that if the determination of the Federal estate tax liability in respect of the estate of any decedent dying before February 11, 1939, was pending on January 17, 1949, in the Tax Court of the United States or in any other court of competent jurisdiction, or if a decision of the Tax Court of the United States or such other court determining such estate tax liability did not become final until on or after January 17, 1949, then refund or credit of any overpayment resulting from the application of this subsection may, nevertheless, be made or allowed if claim therefor is filed within one year from the date of the enactment of this Act, notwithstanding section 319 (a) of the Revenue Act of 1926 or any other law or rule of law which would otherwise prevent the allowance of such refund or credit.

44 Stat. 70.

26 USC 811.

44 Stat. 84.

(c) **INTEREST.**—No interest shall be allowed or paid on any overpayment resulting from the application of this section with respect to any payment made before the date of the enactment of this Act.

(d) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply only with respect to estates of decedents dying after February 10, 1939. Subsection (b) shall apply only with respect to estates of decedents dying before February 11, 1939.

SEC. 208. FAILURE TO RELINQUISH A POWER IN CERTAIN DISABILITY CASES.

(a) **AMENDMENT OF SECTION 811 (d).**—Section 811 (d) (relating to revocable transfers) is hereby amended by inserting after paragraph (3) thereof the following new paragraph:

26 USC 811.

“(4) **EFFECT OF DISABILITY IN CERTAIN CASES.**—For the purposes of this subsection, in the case of a decedent who was (for a continuous period beginning not less than three months before December 31, 1947, and ending with his death) under a mental disability to relinquish a power, the term ‘power’ shall not include a power the relinquishment of which on or after January 1, 1940, and on or before December 31, 1947, would, by reason of section 1000 (e), be deemed not to be a transfer of property for the purposes of chapter 4.”

26 USC 1000.

26 USC 1000-1031.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply only with respect to estates of decedents dying after December 31, 1950.

SEC. 209. REVERSIONARY INTERESTS IN CASE OF LIFE INSURANCE.

26 USC 811.

56 Stat. 945; 64 Stat. 962.
26 USC 811 note.

(a) **DECEDENTS DYING AFTER JANUARY 10, 1941, AND BEFORE OCTOBER 22, 1942.**—Effective with respect to estates of decedents dying after January 10, 1941, and before October 22, 1942, the proceeds of life insurance receivable by beneficiaries other than the executor shall not be included in the gross estate of a decedent under section 811 (g) of the Internal Revenue Code unless such proceeds would have been includible under section 404 (c) of the Revenue Act of 1942 (as amended by section 503 (a) of the Revenue Act of 1950) had such section 404 (c), as so amended, applied to such estate.

(b) **INTEREST.**—No interest shall be allowed or paid on any overpayment resulting from the application of subsection (a) with respect to any payment made before the date of the enactment of this Act.

SEC. 210. MARITAL DEDUCTION IN CERTAIN CASES WHERE DECEDENT DIED BEFORE APRIL 3, 1948.

(a) **IN GENERAL.**—In the case of an interest in property passing by will from the decedent, if the surviving spouse is entitled for life to all the income from such property, payable annually or at more frequent intervals, with power in the surviving spouse to use and consume such portion of the property as the surviving spouse may need or desire for her (or his) comfortable support and maintenance, and with no power in any person other than the surviving spouse to appoint any part of such property, then—

62 Stat. 117.
26 USC 812.

(1) the interest so passing shall, for the purposes of subparagraph (A) of section 812 (e) (1) of the Internal Revenue Code, be considered as passing to the surviving spouse; and

(2) no part of the interest so passing shall, for the purposes of subparagraph (B) (i) of section 812 (e) (1) of the Internal Revenue Code, be considered as passing to any person other than the surviving spouse.

Nothing in this subsection shall be construed to permit the same items to be twice deducted.

26 USC 800-1031.

(b) **ELECTION.**—The provisions of subsection (a) shall apply only if the surviving spouse files an election under this section with the Secretary within one year after the date of the enactment of this Act under such regulations as the Secretary shall prescribe. If such election is so filed, the property subject to such power shall, notwithstanding any other provision of law, be considered for purposes of chapters 3 and 4 of the Internal Revenue Code as property as to which the surviving spouse had a general power of appointment exercisable by deed or will. If the surviving spouse has made an election pursuant to this section, the periods of limitation provided in chapters 3 and 4 of the Internal Revenue Code on the making of an assessment and the beginning of distraint or a proceeding in court for collection shall, with respect to any deficiency and interest thereon resulting from such election, include one year immediately following the date such election is filed, and such assessment and collection may be made notwithstanding any provision of law or any rule of law which otherwise would prevent such assessment and collection.

(c) **INTEREST.**—No interest shall be allowed or paid on any overpayment resulting from the application of this section.

(d) **EFFECTIVE DATE.**—This section shall apply only with respect to estates of decedents dying after December 31, 1947, and on or before

the date of the enactment of the Revenue Act of 1948. If refund or credit of any overpayment resulting from the application of subsections (a) and (b) is prevented on the date of the enactment of this Act, or within one year from such date, by the operation of any law or rule of law (other than section 3760 of the Internal Revenue Code, relating to closing agreements, and other than section 3761 of such code, relating to compromises), refund or credit of such overpayment may, nevertheless, be made or allowed if claim therefor is filed within one year from the date of the enactment of this Act.

52 Stat. 110.
26 USC 11 note.

26 USC 3760.
26 USC 3761.

SEC. 211. MITIGATION OF EFFECT OF STATUTE OF LIMITATIONS.

(a) **AMENDMENT OF SECTION 3801 (b).**—Section 3801 (b) (relating to circumstances of adjustment) is hereby amended by inserting after paragraph (5) the following new paragraphs:

26 USC 3801.

“(6) Disallows a deduction or credit which should have been allowed to, but was not allowed to, the taxpayer for another taxable year, or to a related taxpayer; but this paragraph shall apply only if (A) the determination became final on or after June 1, 1952, and (B) credit or refund of the overpayment attributable to the deduction or credit which should have been allowed to the taxpayer or related taxpayer was not barred, by any law or rule of law, at the time the taxpayer first maintained before the Secretary or the Tax Court of the United States, in writing, that he was entitled to such deduction or credit in the taxable year for which it is so disallowed; or

“(7) Requires the exclusion from gross income of an item which is includible in the gross income of the taxpayer for another taxable year or in the gross income of a related taxpayer; but this paragraph shall apply only if (A) the determination became final on or after June 1, 1952, and (B) assessment of deficiency under section 272 (a) by the Secretary for such other taxable year or against such related taxpayer was not barred, by any law or rule of law, at the time the Secretary first maintained in a notice of deficiency sent pursuant to section 272 (a) or before the Tax Court of the United States, that such item should be included in the gross income of the taxpayer for the taxable year to which the determination relates—”.

26 USC 272.

(b) **TECHNICAL AMENDMENTS.**—

(1) Paragraph (5) of section 3801 (b) is hereby amended by striking out “transaction—” and inserting in lieu thereof “transaction; or”.

26 USC 3801.

(2) The second sentence of section 3801 (b) is hereby amended by striking out “Such” and inserting in lieu thereof “Except in cases described in paragraphs (6) and (7), such”.

(c) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall be effective as if included in the Internal Revenue Code at the time of its enactment. In any case in which the determination referred to in paragraph (6) or (7) of section 3801 (b), as amended by subsection (a) of this section, became final before the date of the enactment of this Act, the one-year period described in section 3801 (c) shall be extended to include the one-year period beginning with the date of the enactment of this Act.

26 USC 3801.

Approved August 15, 1953.